

# MARSHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2011

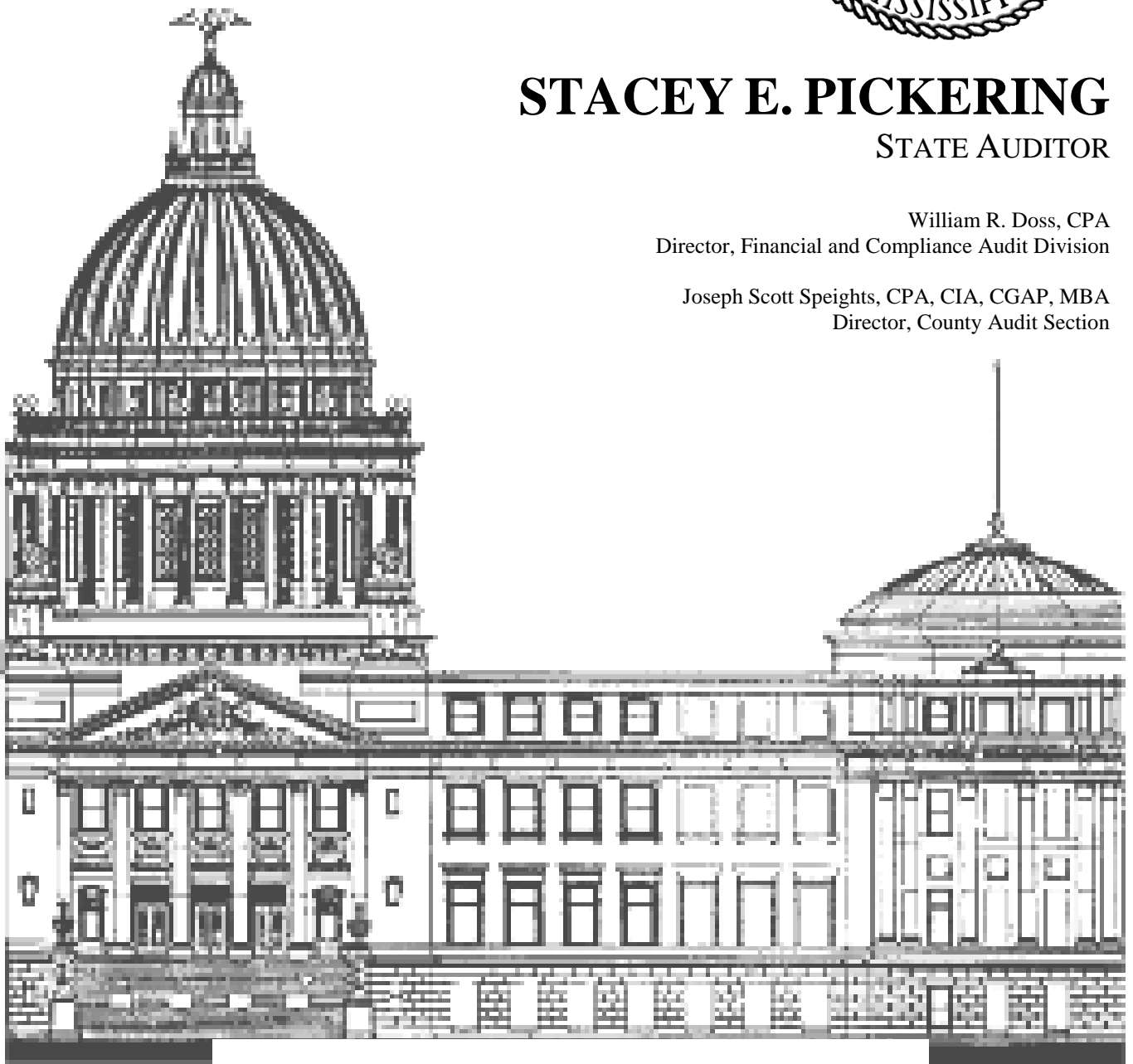


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

April 22, 2013

Members of the Board of Supervisors  
Marshall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Marshall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Marshall County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marshall County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor



MARSHALL COUNTY

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MARSHALL COUNTY

FINANCIAL SECTION

MARSHALL COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Marshall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marshall County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

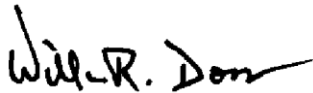
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2013, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Marshall County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 22, 2013

MARSHALL COUNTY

FINANCIAL STATEMENTS

MARSHALL COUNTY

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MARSHALL COUNTY  
Statement of Net Assets  
September 30, 2011

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 3,898,429
Accrued interest receivable	948
Property tax receivable	11,857,240
Accounts receivable (net of allowance for uncollectibles of \$687,378)	155,158
Fines receivable (net of allowance for uncollectibles of \$1,127,819)	266,358
Intergovernmental receivables	277,743
Other receivables	165,373
Capital assets held for resale	253,044
Capital assets:	
Land and construction in progress	2,057,014
Other capital assets, net	59,620,315
Total Assets	78,551,622
LIABILITIES	
Claims payable	132,021
Intergovernmental payables	291,634
Accrued interest payable	16,456
Deferred revenue	11,857,240
Amounts held in custody for others	469,171
Long-term liabilities	
Due within one year:	
Capital debt	699,707
Non-capital debt	45,929
Due in more than one year:	
Capital debt	2,135,483
Non-capital debt	471,321
Total Liabilities	16,118,962
NET ASSETS	
Invested in capital assets, net of related debt	58,842,139
Restricted:	
Expendable:	
General government	1,318
Debt service	429,481
Public safety	341,397
Public works	1,410,785
Culture and recreation	2,125
Economic development	60,898
Unrestricted	1,344,517
Total Net Assets	\$ 62,432,660

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY  
Statement of Activities  
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:	\$				(4,489,096)
General government	5,373,285	884,189			(3,864,706)
Public safety	4,990,799	590,516	535,577		(4,568,522)
Public works	8,199,249	525,946	970,754	2,134,027	(713,612)
Health and welfare	748,303		34,691		(294,968)
Culture and recreation	294,968				(216,213)
Education	216,213				(83,787)
Conservation of natural resources	83,787				(275,432)
Economic development and assistance	275,432				(133,141)
Interest on long-term debt	133,141				(14,639,477)
Total Governmental Activities	<u>20,315,177</u>	<u>2,000,651</u>	<u>1,541,022</u>	<u>2,134,027</u>	
General revenues:					
Property taxes					\$ 12,599,784
Road & bridge privilege taxes					482,703
Grants and contributions not restricted to specific programs					893,169
Unrestricted interest income					83,060
Miscellaneous					344,766
Total General Revenues					<u>14,403,482</u>
Changes in Net Assets					(235,995)
Net Assets - Beginning					<u>62,668,655</u>
Net Assets - Ending					<u>\$ 62,432,660</u>

The notes to the financial statements are an integral part of this statement.



MARSHALL COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2011

Exhibit 3

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
	Fund	Fund	Fund		
ASSETS					
Cash	\$ 2,176,154	616,934		1,105,341	3,898,429
Accrued interest receivable	484			464	948
Property tax receivable	7,300,742	3,864,586		691,912	11,857,240
Accounts receivable (net of allowance for uncollectibles of \$687,378)	155,158				155,158
Fines receivable (net of allowance for uncollectibles of \$1,127,819)	266,358				266,358
Intergovernmental receivables	201,193	76,336		214	277,743
Other receivables	131,381			33,992	165,373
Due from other funds		103,984		8,788	112,772
Advances to other funds	110,804				110,804
Capital assets held for resale				253,044	253,044
Total Assets	\$ 10,342,274	4,661,840	0	2,093,755	17,097,869
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 64,632	59,181		8,208	132,021
Intergovernmental payables	291,634				291,634
Due to other funds	112,772				112,772
Advances from other funds				110,804	110,804
Deferred revenue	7,722,258	3,864,586		691,912	12,278,756
Amounts held in custody for others	469,171				469,171
Total Liabilities	8,660,467	3,923,767	0	810,924	13,395,158
Fund balances:					
Nonspendable:					
Advances	110,804				110,804
Restricted for:					
General government				1,318	1,318
Public safety				341,397	341,397
Public works		738,073		517,554	1,255,627
Culture and recreation				2,125	2,125
Economic development and assistance				60,898	60,898
Debt service				445,937	445,937
Unassigned	1,571,003			(86,398)	1,484,605
Total Fund Balances	1,681,807	738,073	0	1,282,831	3,702,711
Total Liabilities and Fund Balances	\$ 10,342,274	4,661,840	0	2,093,755	17,097,869

The notes to the financial statements are an integral part of this statement.

## MARSHALL COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,702,711
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$75,239,064.	61,677,329
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	421,516
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,352,440)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(16,456)</u>
Total Net Assets - Governmental Activities	\$ <u><u>62,432,660</u></u>

The notes to the financial statements are an integral part of this statement.

## MARSHALL COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2011

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
	Fund	Fund	Fund		
REVENUES					
Property taxes	\$ 7,919,701	4,038,507		641,576	12,599,784
Road and bridge privilege taxes		482,703			482,703
Licenses, commissions and other revenue	640,865	21,369		8,292	670,526
Fines and forfeitures	229,358			37,916	267,274
Intergovernmental revenues	973,112	1,027,416	2,060,069	507,621	4,568,218
Charges for services	561,907			354,167	916,074
Interest income	70,228	3,046		9,786	83,060
Miscellaneous revenues	206,719	47,242		89,060	343,021
Total Revenues	10,601,890	5,620,283	2,060,069	1,648,418	19,930,660
EXPENDITURES					
Current:					
General government	5,086,739			80,168	5,166,907
Public safety	3,728,549			1,178,533	4,907,082
Public works	384,406	6,044,256	2,060,069	26,300	8,515,031
Health and welfare	747,481				747,481
Culture and recreation	154,970			139,998	294,968
Education	91,536	124,677			216,213
Conservation of natural resources	83,787				83,787
Economic development and assistance	257,447			9,600	267,047
Debt service:					
Principal	100,067	385,180		665,815	1,151,062
Interest	29,056	26,229		83,492	138,777
Total Expenditures	10,664,038	6,580,342	2,060,069	2,183,906	21,488,355
Excess of Revenues over (under) Expenditures	(62,148)	(960,059)	0	(535,488)	(1,557,695)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	54,908				54,908
Proceeds from sale of capital assets	5,679				5,679
Compensation for loss of capital assets	15,994				15,994
Transfers in	60,000	562,000		280,980	902,980
Transfers out	(280,980)			(622,000)	(902,980)
Total Other Financing Sources and Uses	(144,399)	562,000	0	(341,020)	76,581
Net Changes in Fund Balances	(206,547)	(398,059)	0	(876,508)	(1,481,114)
Fund Balances - Beginning	1,888,354	1,136,132	0	2,159,339	5,183,825
Fund Balances - Ending	\$ 1,681,807	738,073	0	1,282,831	3,702,711

The notes to the financial statements are an integral part of this statement.

## MARSHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,481,114)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,942,175 exceeded depreciation of \$1,830,622 in the current period.	111,553
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$16,672, the proceeds from the sale of capital assets of \$5,679, and the compensation for the loss of capital assets of \$15,994 in the current period.	(38,345)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(8,381)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	155,158
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,151,062 exceeded debt proceeds of \$54,908.	1,096,154
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(76,656)
The amount of decrease in accrued interest payable	<u>5,636</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(235,995)</u></u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2011

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	60,099
Other receivables		8,958
Total Assets	\$	<u>69,057</u>
LIABILITIES		
Amounts held in custody for others	\$	60,099
Intergovernmental payables		8,958
Total Liabilities	\$	<u>69,057</u>

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

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## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Marshall County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Marshall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Marshall County Industrial Development Authority
- Marshall County Library
- Marshall County Museum

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Marshall County Engineering Fund – This fund is used to account for monies from specific revenue that are restricted for road construction and improvement.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.



## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

#### I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

#### J. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

##### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### (2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$3,958,528 and the bank balance was \$4,884,011. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	\$ 103,984
Other Governmental Funds	General Fund	8,788
Total		\$ <u>112,772</u>

The receivables represent the tax revenue and justice court revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>110,804</u>

The advances represented are loans to cover cash deficits that will be reimbursed by grants.

### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 60,000
Road Maintenance Fund	Other Governmental Funds	562,000
Other Governmental Funds	General Fund	<u>280,980</u>
Total		\$ <u>902,980</u>

The purposes of interfund transfers were to cover operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### (5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Land redemption	\$ 9,097
Court training and improvements grant	11,791
Legislative tax credit	136,621
MEMA Reimbursement	34,009
Motor vehicle fuel tax	23,099
Motor vehicle licenses	26,208
Timber severance tax	277
Reimbursement for housing prisoners	26,880
Waste tire grant	3,724
Harvest permits	6,017
Other	<u>20</u>
Total Governmental Activities	\$ <u>277,743</u>

### (6) Other Receivable.

Other receivables include a receivable from Alliance Healthcare System, the management company of Marshall County Hospital, of \$122,039 at September 30, 2011.

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 681,339				681,339
Construction in progress	<u>345,509</u>	<u>1,030,166</u>			<u>1,375,675</u>
Total non-depreciable capital assets	<u>1,026,848</u>	<u>1,030,166</u>	<u>0</u>	<u>0</u>	<u>2,057,014</u>
<u>Depreciable capital assets:</u>					
Infrastructure	115,784,947	680,431			116,465,378
Buildings	8,604,242				8,604,242
Mobile equipment	6,148,788	154,958	254,037	316,811	6,366,520
Furniture and equipment	835,931	21,712	132,879	126,991	851,755
Leased property under capital leases	<u>2,960,378</u>	<u>54,908</u>		<u>(443,802)</u>	<u>2,571,484</u>
Total depreciable capital assets	<u>134,334,286</u>	<u>912,009</u>	<u>386,916</u>	<u>0</u>	<u>134,859,379</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	64,267,720	1,033,646			65,301,366
Buildings	3,096,423	137,293			3,233,716
Mobile equipment	4,589,780	339,150	217,021	151,152	4,863,061
Furniture and equipment	568,745	56,593	131,550	125,721	619,509
Leased property under capital leases	<u>1,234,345</u>	<u>263,940</u>		<u>(276,873)</u>	<u>1,221,412</u>
Total accumulated depreciation	<u>73,757,013</u>	<u>1,830,622</u>	<u>348,571</u>	<u>0</u>	<u>75,239,064</u>
Total depreciable capital assets, net	<u>60,577,273</u>	<u>(918,613)</u>	<u>38,345</u>	<u>0</u>	<u>59,620,315</u>
Governmental activities capital assets, net	<u>\$ 61,604,121</u>	<u>111,553</u>	<u>38,345</u>	<u>0</u>	<u>61,677,329</u>

\*The adjustments to capital assets are to move capital leases that have been paid off to mobile equipment and furniture and equipment.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 177,439
Public safety	192,046
Public works	1,459,478
Health and welfare	<u>1,659</u>
Total governmental activities depreciation expense	<u>\$ 1,830,622</u>

# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
APL-0047(32)B	\$ 56,000	November, 2012
STP-1966(8)B	114,478	October, 2012
LSBP-47(12)	518,531	October, 2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
Buildings	\$ 760,000
Mobile equipment	1,811,484
Total	2,571,484
Less: Accumulated depreciation	(1,221,412)
Leased Property Under Capital Leases	\$ 1,350,072

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 429,707	39,521
2013	118,584	24,461
2014	54,925	21,003
2015	43,344	18,751
2016	45,377	16,719
2017 – 2021	261,529	48,951
2022 - 2026	76,724	4,249
Total	\$ 1,030,190	173,655

# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### (10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Justice Complex, Series 2006	\$ 1,805,000	3.85-4.05 %	09/2017
B. Capital Leases:			
3 2007 Mack tractor trailers	\$ 55,419	4.14%	02/2012
6 2007 Mack dump trucks	128,292	4.14%	02/2012
4 JD tractors and booms	46,373	4.14%	04/2012
Tax Collector building	14,296	5.50%	07/2012
2009 Ford Crown Victoria	7,924	3.20%	08/2012
2007 Caterpillar 924 wheel loader	30,671	3.15%	01/2013
2 Caterpillar motor graders	134,567	3.28%	03/2013
2010 Ford Crown Victoria	17,880	3.15%	10/2013
2011 Chevy Tahoe	24,713	3.08%	02/2014
2011 Ford Crown Victoria	24,500	3.02%	09/2014
Miller building	269,931	5.25%	03/2022
Buford building	275,624	3.94%	01/2024
Total Capital Leases	\$ 1,030,190		
C. Other Loans:			
MS Development Authority – CAP loan	\$ 250,138	3.00%	12/2017

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 270,000	71,164	45,929	6,693
2013	285,000	60,769	47,325	5,297
2014	290,000	49,725	48,765	3,857
2015	305,000	38,415	50,248	2,374
2016	320,000	26,367	51,777	845
2017-2021	335,000	13,567	6,094	401
Total	\$ 1,805,000	260,007	250,138	19,467

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to .91% of the latest property assessments.



# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### Commitments

On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for The Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is \$189,000 at September 30, 2011. Amounts due in the next fiscal year for principal and interest are \$20,000 and \$8,324, respectively.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 190,456	76,656			267,112	
General obligation bonds	2,465,000		(660,000)		1,805,000	270,000
Capital leases	1,466,344	54,908	(491,062)		1,030,190	429,707
Other loans	250,138				250,138	45,929
Total	\$ 4,371,938	131,564	1,151,062	0	3,352,440	745,636

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Special Levy Reappraisal Fund, Domestic Violence Grant Fund, Marshall County Drug Control Fund, Emergency 911 Fund, Solid Waste Authority Fund, Volunteer Fire Department Fund, and COPS Grant Fund.

### (11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2011:

Fund	Deficit Amount
Communications Grant	\$ 24,405
Community Heritage Preservation Grant Fund	86,398

### (12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

(13) Joint Venture.

The county participates in the following joint venture:

Marshall County is a participant with the city of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated \$10,000 for the joint venture in fiscal year 2011.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$48,317 for Communicare in fiscal year 2011.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$647,144 for maintenance and support of the college in fiscal year 2011.

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$22,241 for support of the district in fiscal year 2011.

(15) Defined Benefit Pension Plan.

Plan Description. Marshall County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$787,573, \$765,369 and \$766,689, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Marshall County evaluated the activity of the county through April 22, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

# MARSHALL COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/12/2011	3.25%	\$	360,000	Capital lease	Ad valorem
1/11/2012	4.63%		63,701	Other loan	Ad valorem
3/12/2012	2.04%		160,337	Capital lease	Ad valorem
5/7/2012	1.87%		55,841	Capital lease	Ad valorem
5/7/2012	1.87%		203,833	Capital lease	Ad valorem
5/7/2012	1.87%		206,847	Capital lease	Ad valorem
10/8/2012	1.68%		25,900	Capital lease	Ad valorem
12/17/2012	1.64%		43,950	Capital lease	Ad valorem

MARSHALL COUNTY

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MARSHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY

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MARSHALL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,637,956	7,937,345	7,937,345	
Licenses, commissions and other revenue	512,400	643,476	643,476	
Fines and forfeitures	255,000	231,167	231,167	
Intergovernmental revenues	1,038,000	1,264,238	1,264,238	
Charges for services	340,000	545,468	545,468	
Interest income	61,000	75,040	75,040	
Miscellaneous revenues	118,000	175,598	175,598	
Total Revenues	<u>9,962,356</u>	<u>10,872,332</u>	<u>10,872,332</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,281,696	5,229,891	5,229,891	
Public safety	2,566,030	3,686,975	3,686,975	
Public works		441,608	441,608	
Health and welfare		747,400	747,400	
Culture and recreation		155,144	155,144	
Education		374,970	374,970	
Conservation of natural resources		83,174	83,174	
Economic development and assistance		257,447	257,447	
Debt service:				
Principal	180,776	129,122	129,122	
Total Expenditures	<u>5,028,502</u>	<u>11,105,731</u>	<u>11,105,731</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>4,933,854</u>	<u>(233,399)</u>	<u>(233,399)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		11,346	11,346	
Premiums on bonds issued		29,084	29,084	
Transfers in		211,690	211,690	
Transfers out		(432,670)	(432,670)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(180,550)</u>	<u>(180,550)</u>	<u>0</u>
Net Change in Fund Balance	4,933,854	(413,949)	(413,949)	
Fund Balances - Beginning	<u>(2,005,665)</u>	<u>(270,670)</u>	<u>1,650,837</u>	<u>1,921,507</u>
Fund Balances - Ending	<u>\$ 2,928,189</u>	<u>(684,619)</u>	<u>1,236,888</u>	<u>1,921,507</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Maintenance Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,955,857	4,043,268	4,043,268	
Road and bridge privilege taxes	400,000	478,329	478,329	
Licenses, commissions and other revenue	23,000	15,352	15,352	
Intergovernmental revenues	1,168,970	1,234,621	1,234,621	
Interest income	30,000	3,046	3,046	
Miscellaneous revenues	36,000	47,242	47,242	
Total Revenues	<u>5,613,827</u>	<u>5,821,858</u>	<u>5,821,858</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	6,949,526	6,462,187	6,462,187	
Education	124,676	124,676	124,676	
Principal	416,381	411,408	411,408	
Total Expenditures	<u>7,490,583</u>	<u>6,998,271</u>	<u>6,998,271</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,876,756)</u>	<u>(1,176,413)</u>	<u>(1,176,413)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	562,000	562,000	562,000	
Total Other Financing Sources and Uses	<u>562,000</u>	<u>562,000</u>	<u>562,000</u>	<u>0</u>
Net Change in Fund Balance	(1,314,756)	(614,413)	(614,413)	
Fund Balances - Beginning	<u>(611,877)</u>	<u>399,117</u>	<u>793,040</u>	<u>393,923</u>
Fund Balances - Ending	<u>\$ (1,926,633)</u>	<u>(215,296)</u>	<u>178,627</u>	<u>393,923</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.



Marshall County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Marshall County Engineering Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	200,000	303,208	303,208	
Total Revenues	200,000	303,208	303,208	0
EXPENDITURES				
Current:				
Public works		303,208	303,208	
Total Expenditures	0	303,208	303,208	0
Excess of Revenues over (under) Expenditures	200,000	0	0	0
Net Change in Fund Balance	200,000			
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 200,000	0	0	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY

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Marshall County  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Government Fund Types		
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	\$ (413,949)	(614,413)	0
Increase (Decrease)			
Net adjustments for revenue accruals	139,019	(201,575)	0
Net adjustments for expenditure accruals	68,383	417,929	0
GAAP Basis	<u>\$ (206,547)</u>	<u>(398,059)</u>	<u>0</u>

MARSHALL COUNTY

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## MARSHALL COUNTY

### SPECIAL REPORTS

MARSHALL COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Marshall County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 22, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marshall County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1, 11-2, 11-3, 11-4 and 11-6 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-5 and 11-7 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 11-4.

We also noted certain instances of noncompliance which we have reported to the management of Marshall County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 22, 2013, included within this document.

Marshall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will-R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 22, 2013





**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Marshall County, Mississippi

We have examined Marshall County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Marshall County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Marshall County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Purchase Clerk.

1. Finding

Section 31-7-13(b), Miss. Code Ann. (1972), allows purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges to be made from the lowest and best bidder without publishing or posing advertisement for bids, provided at least two competitive written bids are obtained. During our audit test work, we noted one instance of the county purchasing salt in the amount of \$15,695, without obtaining competitive written bids. Failure to obtain competitive written bids could result in excess costs to the county.

### Recommendation

The Board of Supervisors should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000 as required by law.

### Purchase Clerk's Response

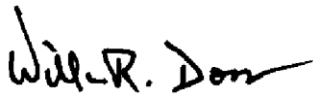
The Board of Supervisors will ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000 as required by law.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Marshall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Marshall County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Marshall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 22, 2013

MARSHALL COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

MARSHALL COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/10/2011	Road barricades and signs	\$ 6,570	Riverside Traffic	Damage to roads from storms.

MARSHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

MARSHALL COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Marshall County, Mississippi

In planning and performing our audit of the financial statements of Marshall County, Mississippi for the year ended September 30, 2011, we considered Marshall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marshall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 22, 2013, on the financial statements of Marshall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. As reported in the prior two years' audit reports, interfund transfers and loans were made without board orders spread upon the minutes. Failure to have proper authority for transfers or loans spread upon the board minutes could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread on its minutes orders relative to transfers or loans.

### Board of Supervisors' Response

The Board of Supervisors will spread on its minutes orders relative to transfers of loans.

## 2. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. As reported in the prior two years' audit reports, at various times during the year, the following funds had negative cash balances:

- (a) General Fund
- (b) ARRA Energy Grant Fund
- (c) Domestic Violence Grant Fund
- (d) Car Grant Fund
- (e) Recovery Grant (ARRA) Fund
- (f) Emergency 911 Fund
- (g) Law Library Fund
- (h) Solid Waste Authority Fund

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

### Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

### Board of Supervisors' Response

The Board of Supervisors will ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

## 3. Finding

Section 25-17-9, Miss. Code Ann. (1972), specifies only cafeteria plan providers that are on the most recent list of approved providers compiled by the State Auditor can provide administrative services related to cafeteria plans of local government entities. The cafeteria plan administrator for the county is not on the approved providers list compiled by the State Auditor for 2011. Failure to choose a cafeteria plan provider on the State Auditor approved provider list could result in the loss of public funds due to possible errors in the administration of the plan.

### Recommendation

The Board of Supervisors should have the cafeteria plan administrator for the county request to be added to the State Auditor approved cafeteria plan provider list or select another administrator from the list of approved providers.

### Board of Supervisors' Response

The Board of Supervisors will consult the most recent list of cafeteria plan providers compiled by the State Auditor and select an approved plan provider to administer the county cafeteria plan.



Chancery Clerk.

4. Finding

Section 9-1-43(1) Miss. Code Ann. 1972, limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code . A business expense must be both ordinary and necessary to be deductible. The Chancery Clerk did not have documentation for \$11,218 in expenses claimed as deductions. Failure to record expenses properly and to have documentation for expenses could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that expenses are recorded properly and keep documentation for all expenses. The Chancery Clerk should pay \$11,218 to the county General Fund for these undocumented expenses.

Chancery Clerk's Response

In response to the finding for the 2011 Clerk fee account, the understatement of fee account resulted due to the following scenario. Senate Bill 2437 was passed on March 11, 2011. This allowed the Clerk to deduct as an expense the Employer Share of the retirement paid in by the clerk after that date. The Annual Financial Report form was not amended however; therefore, how to appropriately deduct this from the account was somewhat obscure. Prior to filing that report, Sue Thomas placed a phone call, on behalf of the Clerk, to a fellow clerk and made every effort to understand the proper procedure involved before filing the report by the prescribed deadline. In doing so, she improperly deducted the amount from another item. The form has now been amended and the deduction has a designated area. The Report was immediately revised and the correct amount was paid to the county.

Auditor's Note

The Chancery Clerk paid \$11,218 to the county General Fund on August 23, 2012, as evidenced by receipt number 19324

Circuit Clerk.

5. Finding

Section 9-1-43(1) Miss. Code Ann. 1972, states that all fees that are received by the office of the Circuit Clerk, that are in excess of the salary limitation shall be deposited by such clerk into the county General Fund on or before April 15 for the preceding calendar year. As reported in the prior year's audit report, the Circuit Clerk did not settle the money received in excess of the cap by April 15. For calendar year 2011, the Circuit Clerk had not settled the money received in excess of the cap in the amount of \$78,159 as of July 23, 2012. Failure to settle excess cap monies owed to the General Fund by April 15<sup>th</sup> results in an unauthorized loan of county funds.

Recommendation

The Circuit Clerk should settle all amounts over the salary cap to the General Fund by April 15<sup>th</sup> each year as required by statute. The Circuit Clerk should settle the \$78,159 in excess fees for the 2011 calendar year to the county General Fund.

Circuit Clerk's Response

I will comply.

Auditor's Note

The Circuit Clerk settled \$78,159 to the county General Fund on August 20, 2012, as evidenced by receipt number 19315.

Sheriff.

6. Finding

Section 19-2-9, Miss. Code Ann (1972), requires that any elected officials who are authorized by law to employ shall adopt and maintain a system of personnel administration for their respective employees or shall adopt the system of personnel administration adopted by the Board of Supervisors. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. As reported in the prior two years' audit reports, the Sheriff's Department was specifically excluded from the county's personnel policy and no other personnel policy was adopted. The failure to adopt a personnel policy has resulted in Marshall County not being in compliance with state law in terms of countywide personnel administration.

Recommendation

The Sheriff should ensure that there is a personnel policy in place or that his office is properly covered by the county's personnel policy.

Sheriff's Response

Personnel policies are currently in place and 2012 fiscal year is in compliance with state law.

Marshall County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 22, 2013

MARSHALL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MARSHALL COUNTY

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MARSHALL COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: |             |
|    | Governmental activities                                      | Unqualified |
|    | Aggregate discretely presented component units               | Adverse     |
|    | General Fund   | Unqualified |
|    | Road Maintenance Fund  | Unqualified |
|    | Marshall County Engineering Fund                             | Unqualified |
|    | Aggregate remaining fund information                         | Unqualified |
| 2. | Internal control over financial reporting:                   |             |
|    | a. Material weaknesses identified?                           | Yes         |
|    | b. Significant deficiencies identified?                      | Yes         |
| 3. | Noncompliance material to the financial statements noted?    | Yes         |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Component units should be included in the financial statements.

11-1. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors will make efforts to provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

11-2. Internal controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements and the proper presentation of funds. We noted the following deficiencies in the financial statement preparation and reporting:

- a. As reported in the prior two years' audit reports, disclosures required by generally accepted accounting principles for commitments for tax increment financing were not presented in the notes to the financial statements. Generally accepted accounting principles require the notes to the financial statements to include a brief description of the tax increment financing and the county's share of the commitment. Failure to present all note disclosures required by generally accepted accounting principles resulted in incomplete notes to the financial statements. A note disclosure containing the required information was proposed to management and included in the notes to the financial statements with management's approval.
- b. Generally accepted accounting principles mandate that major funds be presented separately from nonmajor funds in the governmental fund financial statements. Based on test work performed, the Marshall County Engineering Fund met the criteria for a major fund and should have been reported separately in the financial statements. However, this fund was included in the other governmental funds instead. Failure to properly classify funds in the financial statements is a departure from generally accepted accounting principles. An adjustment to correct this error was proposed to management by the auditor and the Marshall County Engineering Fund was reported in the financial statements as a major fund with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of all required note disclosures and the proper presentation of all major funds of the county.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of all required note disclosures and the proper presentation of all major funds of the county.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Material Weakness

##### 11-3. Controls should be implemented over billings and payments for garbage collection service.

###### Finding

An effective system of internal controls over the payment for garbage collection service should require sufficient documentation of accounts billed to the county by the garbage collection service provider and oversight of payments received and credited for the garbage collection service. As reported in the prior two years' audit reports, based upon audit procedures performed, the county did not have adequate controls in place to ensure that:

- a. The number of customers billed for solid waste collections is reconciled to the number of cans the county is being billed for by the garbage collection service provider. Analytical tests indicated there was an average of 2,502 cans billed to the county each month that were not being billed per the customer billing report provided by the garbage collection service provider. These billings to the county for cans that are not being billed to customers by the garbage collection service provider resulted in the county paying an additional \$178,648 in garbage costs during the 2011 fiscal year.
- b. The monies collected by the county on behalf of the garbage collection service provider are posted to the individual customer accounts by the garbage collection service provider. There is no system in place to verify that the monies collected by the county are properly credited to the customer accounts.
- c. Additions and deletions to the solid waste customer billing listing are identified individually and reviewed by the county for validity. The county is only notified of the total number of additions and deletions.
- d. The solid waste customer billing listing is reviewed by the county for inactive accounts billed to the county. We noted no evidence that county personnel reviewed the customer billing list to determine if the county was being billed for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider. Audit procedures revealed discrepancies between the billing and collections report and the amount reported as collected per the invoice to the county in the amount of \$29,858 resulting in the county paying an additional \$29,858 to the garbage collection service provider.

Due to the lack of oversight by the county of the solid waste expenditures, the results of our audit procedures indicate the county has overpaid for garbage collection services during the 2011 fiscal year.

###### Recommendation

The county should implement controls over the payments for garbage collection service to ensure that:

- a. The number of customers billed for solid waste services is reconciled to the number of cans the county is being billed for on a monthly basis.
- b. The solid waste customer billing and collection report is reviewed on a monthly basis to ensure monies collected by the county are properly posted to the individual customer accounts.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

- c. Additions and deletions to the solid waste customer billing listing are reviewed monthly by county personnel for validity.
- d. The solid waste customer billing listing is reviewed monthly by county personnel for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider.

#### Board of Supervisors' Response

The County no longer guarantees 100% payment for garbage collection. Advertised bids resulted in a different provider being under contract with the county not being involved in any billing for the new company. Attempts are being made to collect previously delinquent accounts.

#### Material Weakness

#### Material Non-Compliance

- 11-4. Adequate documentation should be obtained from healthcare provider for indigent care.

#### Finding

During our audit of Marshall County, we noted that the county had entered into a contractual/lease agreement in a prior year to make subsidy payments to a healthcare provider in relation to the operations of a hospital facility in the county.

The contractual agreement with the healthcare provider stipulated that Marshall County would pay subsidy payments not to exceed \$200,000 annually to the healthcare provider, provided that the healthcare provider furnished the county with satisfactory proof of payment, expenditure or provision documenting the actual amount of indigent care services provided in Marshall County as defined in the agreement. The agreement limited the annual subsidy payments from the county to such an amount as shall have been actually paid, expended or provided by the healthcare provider for indigent care services in Marshall County not to exceed \$200,000.

As reported in the prior two years' audit reports, audit procedures revealed that county paid the healthcare provider \$200,000 without obtaining any supporting documentation substantiating that the healthcare provider had actually paid, expended or provided this amount of indigent care services in Marshall County.

An effective system of internal controls over the payment of expenditures for indigent care services should require supporting documentation for the expenditures.

Failure to obtain supporting documentation could result in the county paying for services for people who are not indigent or making a donation to the healthcare provider for services that were not actually provided.

#### Recommendation

The Board of Supervisors should ensure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditures or provision of indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care.



## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Board of Supervisors' Response

The Board of Supervisors will ensure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditure or provisions of indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care.

Circuit Clerk.

#### Significant Deficiency

##### 11-5 Internal controls over civil and criminal receipts should be strengthened.

#### Finding

An effective system of internal controls over Circuit Clerk civil and criminal receipts should include making timely deposits, reconciling civil and criminal bank accounts to the cash journals monthly and making monthly settlements. Our test work revealed the following deficiencies:

- A. The Circuit Clerk is not making timely deposits for the civil and criminal receipts.
- B. The Circuit Clerk did not reconcile civil and criminal bank accounts to the cash journals balances monthly.
- C. Some Circuit Clerk civil and criminal collections were not settled monthly.

Failure to make timely deposits, reconcile civil and criminal bank accounts to the cash journals monthly and make monthly settlements could result in a loss of public funds.

#### Recommendation

The Circuit Clerk should make timely deposits from the civil/criminal accounts to the fee account, should perform bank reconciliations of all the accounts monthly and should make settlements from the civil/criminal cash journals monthly to the county and to the fee account.

#### Circuit Clerk's Response

This shall be done.

Justice Court Clerk.

#### Material Weakness

##### 11-6. Separation of duties in the Justice Court Clerk's office should be strengthened.

#### Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions in the Justice Court offices were not adequately separated for effective internal controls. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss of public funds.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2011

#### Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court offices or that there is external oversight over the operations of the Justice Court office.

#### Justice Court Clerk's Response

The Justice Court Clerk has followed all duties as outlined by the Marshall County Board of Supervisors. As stated previously, the Justice Court Clerk has never receipted monies. All monies are receipted by Deputy Clerks prior to being placed with the Justice Court Clerk for deposits.

The Justice Court Clerk is the only person at this time authorized by the Marshall County Board of Supervisors to reconcile and disburse funds.

#### Significant Deficiency

##### 11-7. Controls over fines receivable should be strengthened

#### Finding

An effective system of internal controls over the Justice Court aging of accounts receivable report involves reporting only fines in the report at fiscal year-end. The Justice Court Clerk's aging of accounts receivable report included criminal bond fees due to the state in addition to fines. Failure to include only fines due the county on the Justice Court aging of accounts receivable report could result in erroneous amounts being reported in the financial statements.

#### Recommendation

The Justice Court Clerk should ensure that only fines are included on the aging of accounts receivable report.

#### Justice Court Clerk's Response

The Justice Court Clerk did ensure that the aging of accounts receivable report was printed on the last day of the fiscal year and made every effort to ensure the aging of accounts only included fines due Marshall County. Information was placed in the computer files correctly; however, the computer company hired by Marshall County has the computer information programmed to also pull the bond fees with the fines due to the county. The Justice Court Clerk has no control over how information is programmed with Delta Computer Systems.

The Justice Court Clerk has contacted Delta Computer Systems, Inc. with this concern.

## MARSHALL COUNTY

### AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

MARSHALL COUNTY

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38 Elm. St.  
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(662) 333-7349

GEORGE ZINN, III, DIST. 4  
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Chancery Clerk and Clerk of the Board  
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## Marshall County Board of Supervisors

P. O. Box 219

Holly Springs, Mississippi 38635

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EDDIE DIXON, DIST. 2  
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KEITH TAYLOR, DIST. 3  
191 Kathleen  
Byhalia, MS 38611  
(662) 838-5328

LARRY HALL  
County Administrator  
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Holly Springs, MS 38635  
(662) 252-7903

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2011

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Marshall County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

#### DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2010 - FINDING NO. 10-8: U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16.738; U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government, CFDA No. 16.804; U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program, CFDA No. 16.810

Condition: The OMB Circular 133 Compliance Supplement, Part 3, Section F, Equipment and Real Property compliance requirement, requires equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. During our audit testing procedures, we noted no identification of equipment purchased with federal funds and a physical inventory of equipment purchased with federal funds was not conducted every two years. Failure to properly track and inventory property purchased with federal funds could result in the loss of county property and result in the county reimbursing the federal government for this loss as well as the county being found in noncompliance with the Equipment and Real Property Management compliance requirements.

**Recommendation:** The Marshall County Board of Supervisors should take steps to ensure that controls are in place to ensure that equipment purchased with federal funds are identified and an physical inventory of equipment purchased with federal funds is conducted at least once every two years.

**Current Status:** State current status of finding: (see guidance below):

Corrective action was taken.

2010 - FINDING NO. 10-9: U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Enforcing Underage Drinking Laws Program, CFDA No. 16.727; U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government, CFDA No. 16.804; U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program, CFDA No. 16.810

**Condition:** The OMB Circular 133 Compliance Supplement, Part 3, Section I, Procurement and Suspension, and Debarment compliance requirements, requires an entity to verify vendors and contractors are not suspended or debarred from doing business. During our audit testing procedures, we noted no controls in place to ensure that a vendor or contractor was not suspended or debarred from doing business with the federal government by determining if the entity was listed on the General Services Administration's Excluded Parties List System (EPLS). Failure to implement controls to verify a vendor's status with the Excluded Parties List System could result with the county doing business with a disqualified vendor and a loss of federal funds to the county.

**Recommendation:** The Marshall County Board of Supervisors should take steps to ensure that controls are in place to verify vendors are not listed on the General Services Administration's Excluded Parties List System (EPLS) prior to conducting business with such vendors on federal projects.

**Current Status:** State current status of finding (see guidance below):

The Marshall County Board of Supervisors has taken steps to insure that controls are in place to verify vendors are not listed on the General Administration's Excluded Parties List System (EPLS) prior to conducting business with such vendor's on federal projects.

2010 - FINDING NO. 10-10: U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government, CFDA No. 16.804

**Condition:** The Marshall County Project Agreement with the U. S. Department of Justice – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local government Special Condition #17 requires that the county comply with the special requirements over separated tracking and reporting of recovery act funds and outcomes. This special requirement requires that the county must ensure that funds from this Recovery Act award are not comingled with funds from any other source. During our audit testing procedures, we noted no controls were in place to ensure that Marshall County complied with this provision. The county comingled funds from this Recovery Act with funds from other sources. The lack of internal controls and procedures could result in being unable to track and report funds separately and in a clear, accurate and timely manner.

**Recommendation:** The Marshall County Board of Supervisors should take steps to ensure that controls are in place to ensure that Recovery Acts awards are not comingled with funds from other funding sources.

Current Status: State current status of finding:

Corrective action was taken.

2010 - FINDING NO. 10-11: : U.S. Department of Justice\ Passed-through the Mississippi Department of Public Safety\ Violence Against Women Formula Grant, CFDA No. 16.588

Condition: The Marshall County Project Agreement with the U. S. Department of Justice – Violence Against Women Formula Grants requires that the county comply with the special requirements over separated tracking and reporting of recovery act funds and outcomes. This special requirement requires that the county must ensure that funds from this Recovery Act award are not comingled with funds from any other source. During our audit testing procedures, we noted no controls were in place to ensure that Marshall County complied with this provision. The county comingled funds from this Recovery Act with funds from other sources. The lack of internal controls and procedures could result in being unable to track and report funds separately and in a clear, accurate and timely manner.

Recommendation: The Marshall County Board of Supervisors should take steps to ensure that controls are in place to ensure that Recovery Acts awards are not comingled with funds from other funding sources.

Current Status: State current status of finding:

Corrective action was taken.



Sincerely yours,

Ronnie J. Bennett, President  
Marshall County Board of Supervisors  
662-544-1117